



# Improvements!

*City Departments Implementing Audit Recommendations*

Report #2

CITY OF SEATTLE - OFFICE OF THE CITY AUDITOR

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**Improvements!** is issued regularly by the Office of the City Auditor to track audit recommendations and other issues critical to ensure that City functions have efficient and effective operations, generate reliable internal and external reports, and comply with applicable laws, regulations and internal policies. For more information regarding **Improvements!** or other activities performed by the Office of the City Auditor, please call Nora Masters at (206) 233-0088 or Susan Cohen at (206) 233-1093.

## Seattle Transportation's Response to Recent Audit Recommendations

### RESULTS IN BRIEF

Seattle Transportation (formerly the Transportation Division within the Seattle Engineering Department) has continued to improve its financial management system and has incorporated most of the recommendations made in two audit reports that the City Auditor issued to the Department in November 1996. These improvements include:

- budgeting more projects to make timely use of available funds;
- submitting a Transportation Strategic Plan to the City Council;
- submitting periodic requests for abandoning excess capital appropriations;
- specifying in the 1998 Endorsed Budget the operational costs the Department will pay from Vehicle License Fee revenues and the locations where the Department will incur these costs;
- reviewing Arterial City Street Fund expenditures to verify appropriate usage; and
- submitting final project bills to granting agencies on a timely basis.

To fully satisfy the recommendations in the two audit reports Seattle Transportation still needs to:

- make the quarterly reports on the status of the Transportation Capital Improvement Program and the status of revenues and operating costs more concise and easier to understand; and
- finish developing software to track funds made available by project delays.

### METHODOLOGY

To determine the status of our open audit recommendations, we:

- interviewed officials of Seattle Transportation;
- obtained and reviewed applicable documentation;
- conducted on-site reviews of new procedures; and
- examined applicable laws, policies and procedures.

We performed our work between August and October 1997 in accordance with generally accepted government auditing standards.

### REPORT 1: Transportation Financial Management: Revenue Forecasting and Expenditure Management are Improving (11/05/96)

In 1994 and 1995, Seattle Transportation faced an unexpected deficit in funding for existing and planned capital projects. As a result, the City Council requested the Office of City Auditor to audit the Department's capital project financing, budgeting, and management system.

The audit found that Seattle Transportation had experienced shortfalls in funding due to difficulties in accurately budgeting for new revenues and that the Department had since taken steps to improve its revenue and reimbursement forecasting. The audit recommended additional actions the Department needed to take to improve its financial management system.

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Following are the five actions we recommended and their current status (three complete and two in process):

◆ Schedule more projects to make timely use of available funds.  
**COMPLETE.**

Seattle Transportation now includes additional projects in its budget each year to make more timely use of money it expects to have available from project delays and cost savings.

◆ Expedite development of the Transportation Strategic Plan.  
**COMPLETE.**

The Office of Management and Planning and Seattle Transportation submitted an Interim Draft Transportation Strategic Plan to the City Council on August 8, 1997.

◆ Work with the Office of Management and Planning to develop a procedure to regularly abandon excess capital appropriations.  
**COMPLETE.**

The City Council passed the 1996 and 1997 requests to abandon Capital Improvement Plan appropriations on April 17, 1997 and September 10, 1997, respectively. According to Seattle Transportation's Finance and Accounting Manager, the Department will annually request the Council to abandon excess capital appropriations.

◆ Provide quarterly reports on the status of the Transportation Capital Program and quarterly reports on the status of revenues and operations costs. **IN PROCESS.**

Seattle Transportation presently reports to the City Council through 1) briefings that the Transportation Director provides to the Chair of the Transportation Committee; and 2) regular reports on the status of Transportation Capital Improvement Program projects that the Office of Management and Planning produces for the City Council. According to the Chair of the Transportation Committee, however, these reports do not provide sufficient information to assess project status adequately, including accomplishment rates, timelines, and projected expenditures. They also do not provide a clear picture of the Department's operating revenues and expenditures.

**Further Action Needed.** To improve communication between the City Council and Seattle Transportation, the Department should provide to the Chair of the Transportation Committee more clearly written quarterly reports that focus on:

- ✓ Comparisons of actual expenditures and budgets for Transportation Capital Improvement Program projects, both on a quarterly and year-end basis;
- ✓ Summary comparisons of planned and actual progress on Transportation Capital Improvement Program projects, using "accomplishment rate of significant milestones" as indicators.<sup>1</sup>
- ✓ A comparison of actual Seattle Transportation revenues and operating expenditures with forecasted/budgeted amounts.

◆ Track money made available by project delays by developing software to track these moneys. **IN PROCESS.**

Seattle Transportation has developed software to track money made available by project delays and cost savings. The system needs further improvement, however, before the Department can implement it completely.

**Further Action Needed.** Seattle Transportation needs to finalize the new software for tracking available money and assign project-tracking numbers to all current projects. The Department expects to have the software fully operational by January 1998.

## **REPORT 2: Transportation Expenditures: Compliance and Controls are Good But Can be Improved (11/05/96)**

This audit reviewed Seattle Transportation's financial system to determine whether the Department (1) is complying with regulatory and expenditure restrictions over Local Option revenues and Motor Vehicle Fuel Tax (Gas Tax) revenues; and (2) has adequate management controls over its process to ensure it collects and spends its funds appropriately. The audit identified several ways the Department could improve its processes. The Department agreed to and has appropriately implemented the following recommendations:

◆ Include in the budget more specific information on Vehicle License Fee expenditures. Seattle Transportation has included language in the 1997 Adopted/1998 Endorsed Budget specifying the operational costs for which Vehicle License Fee revenues will pay and the locations at which the Department will incur these costs. **COMPLETE.**

◆ Regularly review Arterial City Street Fund expenditures. The Department now reviews Arterial City Street Fund programs on a regular basis to verify appropriate usage. **COMPLETE.**

◆ Bill granting agencies for completed projects in a timely manner. Seattle Transportation now bills granting agencies in a timely manner for the costs of projects completed. Although the target turn-around time for billing is three months, the Department issued the final bill for the projects we reviewed within two months. **COMPLETE.**

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<sup>1</sup> This report should be consistent with the 1998 City Council Budget Statement of Legislative Intent "Capital Improvement Program Performance Measure/Reporting Improvements" that the City Council has directed the Office of Management and Planning to make in cooperation with Capital Improvement Program departments.